

HOLD (from BUY)

Target Price (IDR) 1,100 (from 1,200)
Potential Upside (%) 7.3

Price Comparison

Cons. Target Price (IDR)	1,170
SSI vs. Cons. (%)	94.0

Stock Information

Last Price (IDR)	1,025
Shares Issued (Mn)	3,398
Market Cap. (IDR Bn)	3,482
52-Weeks High/Low (IDR)	1,585/680
3M Avg. Daily Value (IDR Bn)	19.4
Free Float (%)	36.0

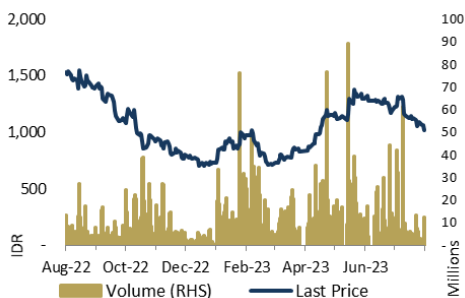
Shareholder Structure:

Adi Dinamika Investindo (%)	48.31
Publik (%)	23.89
Daya Adicipta Mustik (%)	18.27

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	32.3	(16.3)	(12.8)	(33.0)
JCI Return	1.0	0.3	2.6	(3.8)
Relative	31.2	(16.6)	(15.4)	(29.2)

Stock Price & Volumes, 12M



Company Background

Established in 2003 and listed on the IDX since 2012, PT Adi Sarana Armada Tbk (ASSA) operates an integrated transportation and logistics business. ASSA is part of the Triputra Group, currently led by Prodjo Sunarjanto as CEO. ASSA has an experienced management team, the majority of which previously filled the position of directors at Astra International and AUTO2000.

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Headwinds All Around

2Q23 results: revenue dip, expense grip. ASSA booked revenue of IDR 1.2 trillion in 2Q23 (-24% yoy, +8% qoq); the considerable YoY decline was mainly caused by the significant drop in delivery services revenue (IDR 396 billion; -60% yoy, -6% qoq) as marketplace performance began to slip. Unfortunately, the lack of cost-cutting measures from ASSA led to a deterioration in its overall performance; its operating profit took a massive blow (IDR 40 billion; -43% yoy, -65% qoq, OPM: 3%), as did its EBITDA (IDR 268 billion; -5% yoy, -20% qoq) with an EBITDA margin of 22% (-780 bps qoq, +429 bps yoy). Its net profit suffered as well, coming in at IDR 18 billion (-58% yoy, -66% qoq) in 2Q23, with an NPM of 1% (-113 bps yoy, -309 bps qoq). Cumulatively, ASSA generated IDR 2.3 trillion in revenue in 1H23 (-25% yoy), falling short of our estimate (37.6%), with a net profit of IDR 70 billion (-39% yoy), beating our estimate (62.2%).

Headwinds for Anteraja, betting on cold chain. Recently, ASSA's biggest revenue contributor, Anteraja, experienced a margin squeeze; its OpEx-to-sales came in at 20.7% in 1H23 (+790 bps yoy). Anteraja also posted average daily parcel delivery of 500k parcels/day, leading to a drop in revenue. To boost earnings, management highlighted that the company is now betting on cold chain business that offers better margins (due to its B2B nature) in the hope of boosting its consolidated margins. Although still early, we believe the cold chain business might help the company. Management also stated that Anteraja would book a breakeven EBIT at the end of FY23F; however, we are not too optimistic about that, given the fact that Anteraja is struggling to boost its earnings, especially due to lower demand from e-commerce and the rise of a new trend of e-commerce companies creating their own last-mile delivery services. With this in mind, coupled with its high fixed-cost nature (for couriers), Anteraja needs to find a creative way to boost earnings, whether it is to partner with other delivery services to increase daily parcel delivery or take some cost efficiency measures.

Limited upside; expect soft quarters ahead. We see limited upside for ASSA going forward and expect rather soft quarters from the company. We also believe that the competition in first-mile and last-mile deliveries will be more intense in the future, especially with the emergence of e-commerce's in-house logistic services. Thus, we expect ASSA to book revenue of IDR 4.5 trillion (-22% yoy) in FY23F, with an EBITDA of IDR 639 billion and a net profit of IDR 114 billion, implying an EPS growth of +10.4% yoy (due to low base effect from last year).

Downgrade to HOLD, TP IDR 1,100. As we rollover our valuation to FY24F, we downgraded our rating to HOLD with a SOTP-based TP of IDR 1,100. We decided to downgrade our recommendation due to the lack of catalyst and potential strong headwinds in the future. Main Risk: Rising logistics cost, margin squeeze.

Forecast and Valuations (@ IDR 1,025 per share)

Y/E Dec	21A	22A	23F	24F	25F
Revenue (IDR Bn)	5,088	5,870	4,571	4,744	4,924
EBITDA (IDR Bn)	685	520	639	676	720
EV/EBITDA(X)	9.5	11.5	9.6	9.3	8.7
Net Profit (IDR Bn)	143	103	114	131	158
EPS (IDR)	42	30	34	39	46
EPS Growth (%)	63.6	(27.7)	10.4	15.1	20.4
P/E Ratio (x)	24.3	33.6	30.4	26.4	22.0
BVPS (IDR)	520	728	761	800	846
P/BV Ratio (x)	1.96	1.40	1.34	1.28	1.21
DPS (IDR)	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-
ROAE(%)	8.9	4.9	4.5	4.9	5.6
ROAA (%)	2.5	1.5	1.6	1.8	2.2
Interest Coverage (x)	2.0	1.0	1.2	1.3	1.5
Net Gearing (x)	2.0	1.4	1.3	1.2	1.1

Figure 1. 2Q23 Results

PT Adi Sarana Armada Tbk (ASSA IJ)									
(IDR Bn)	2Q22	1Q23	2Q23	QoQ (%)	YoY (%)	6M22	6M23	YoY (%)	FY23/SSI
Revenue	1,634	1,146	1,243	8%	-24%	3,170	2,389	-25%	37.6%
Operating Profit	69	115	40	-65%	-43%	233	155	-34%	44.8%
EBITDA	283	337	268	-20%	-5%	648	605	-6%	98.4%
Net Profit	42	52	18	-66%	-58%	115	70	-39%	62.2%
Operating Margin (%)	4%	10%	3%	-683 bps	-104 bps	20%	6%	-1,317 bps	
EBITDA Margin (%)	17%	29%	22%	-780 bps	429 bps	7%	25%	1,803 bps	
Net Margin (%)	3%	5%	1%	-309 bps	-113 bps	4%	3%	-71 bps	

Source: Company, SSI Research

Figure 2. Revenue Segmentation

Revenue Segmentation					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Car Rental	1,615	1,724	1,810	1,883	1,959
Sale of Used Vehicle	405	684	697	711	726
Logistics	136	181	190	199	209
Express (Anteraja)	2,766	3,152	1,736	1,806	1,879
Auctions	166	130	137	144	151
Growth (%)					
Car Rental	4.6	6.7	5.0	4.0	4.0
Sale of Used Vehicle	6.3	69.0	2.0	2.0	2.0
Logistics	(2.5)	32.8	5.0	5.0	5.0
Express (Anteraja)	248.0	14.0	(44.9)	4.0	4.0
Auctions	(6.5)	(21.7)	5.0	5.0	5.0

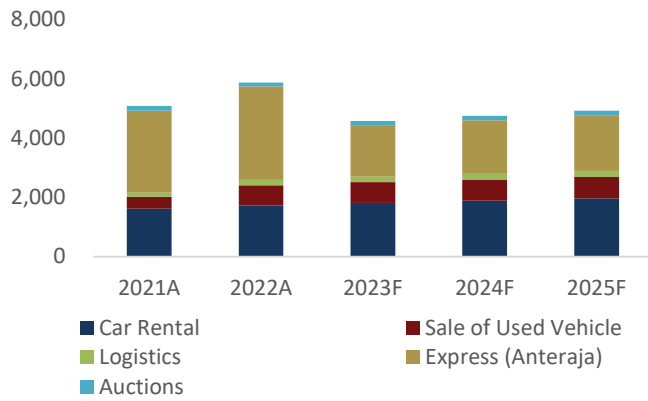
Source: Company, SSI Research

Figure 3. SOTP Valuation

Segment	Method	Stake	Fair Value
Car Rental & Others	DCF + 20% holding discount	100%	1,167
ASLC	SOTP EV/Sales + 20% holding discount	77.6%	1,758
Anteraja	EV/Sales	50%	3,746
Enterprise Value			6,670
Net Debt			(2,796)
Equity Value			3,874
Shares Outstanding			4
Value per Share (Rounded)			1,100

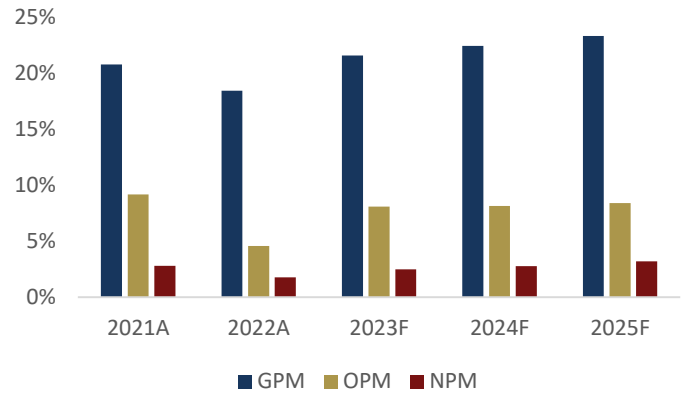
Source: SSI Research

Figure 4. On-Demand Gross and Net Take Rate



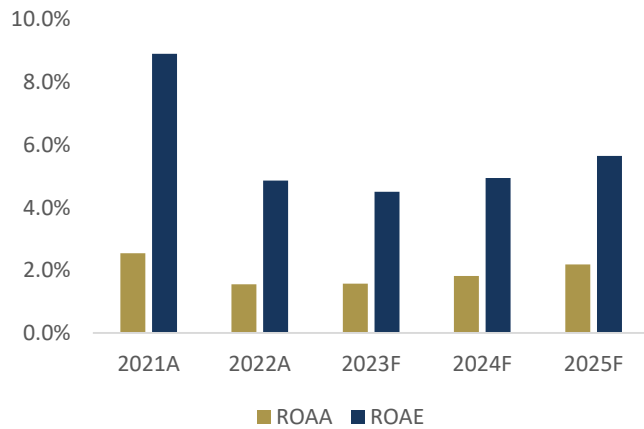
Source: Company, SSI Research

Figure 5. Profitability Margins



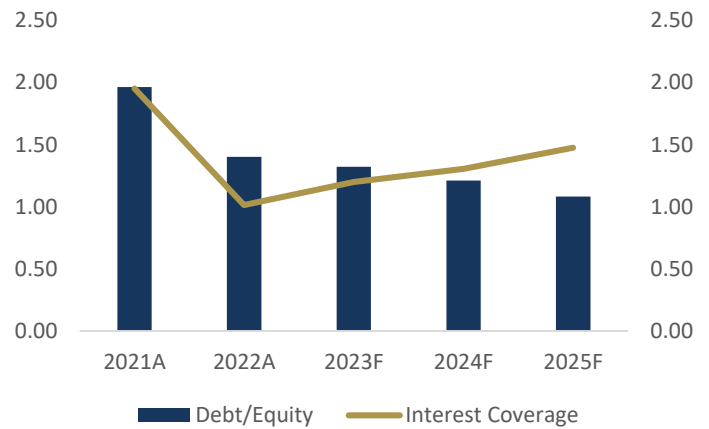
Source: Company, SSI Research

Figure 6. ROAA & ROAE



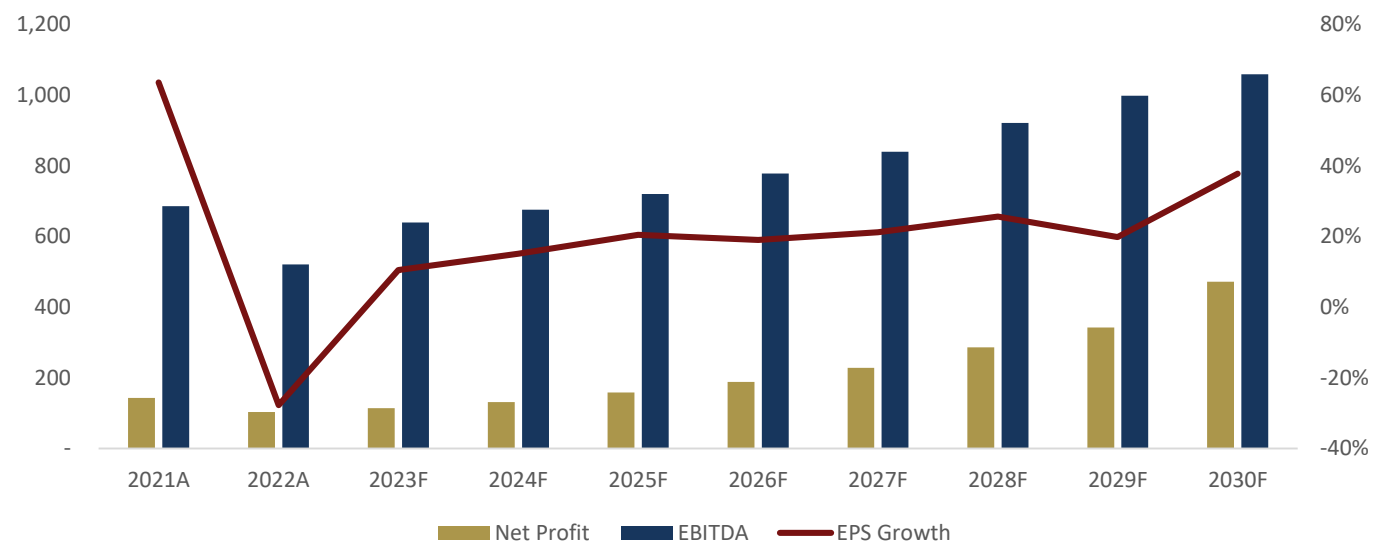
Source: Company, SSI Research

Figure 7. Gearing Ratio



Source: Company, SSI Research

Figure 7. 10-Year Net Profit and EBITDA forecast



Company, SSI Research

Source:

Key Financial Figures

Profit and Loss					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Revenues	5,088	5,870	4,571	4,744	4,924
Cost of goods sold	(4,031)	(4,788)	(3,584)	(3,679)	(3,775)
Gross Profit	1,057	1,082	986	1,065	1,149
SGA Expense	(590)	(814)	(617)	(678)	(736)
Operating Profit	466	268	369	387	413
EBITDA	685	520	639	676	720
Finance Income	9	31	33	25	17
Finance Expenses	(239)	(264)	(308)	(296)	(280)
Pre-tax profit	223	7	76	97	131
Income Tax	(64)	(4)	(22)	(28)	(37)
Profit for Period	160	4	54	69	94
Minority Interest	(17)	99	59	62	64
Net Profit	143	103	114	131	158

Balance Sheet					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Cash & equivalents	447	932	727	496	296
Receivables	337	330	303	314	326
Others	278	283	231	237	244
Total Current Assets	1,062	1,545	1,261	1,048	865
Net Fixed Asset	4,405	5,042	5,257	5,487	5,657
Other Non-Current Asset	565	681	681	681	681
Total Assets	6,032	7,268	7,199	7,216	7,203
ST. Bank loan	698	1,259	1,241	1,196	1,130
Payables	453	533	399	410	420
Other current Liabilities	32	-	-	-	-
Total Current Liabilities	1,183	1,792	1,640	1,605	1,550
LT. Debt	2,768	2,207	2,176	2,096	1,981
Other LT Liabilities	315	798	798	798	798
Total Liabilities	4,266	4,798	4,614	4,500	4,330
Minority Interest	245	853	853	853	853
Total Equity	1,766	2,471	2,585	2,716	2,873

Cash Flow					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Net Profit	143	103	114	131	158
D&A	219	252	270	289	306
Changes in Working Capital	(241)	96	(55)	(7)	(8)
Operating Cash Flow	108	(146)	329	413	457
Capital Expenditure	(564)	(890)	(485)	(519)	(476)
Others	244	1,328	-	-	-
Investing Cash Flow	(320)	438	(485)	(519)	(476)
Net - Borrowing	480	(0)	(49)	(125)	(181)
Other Financing	65	(7)	-	-	-
Financing Cash Flow	466	193	(49)	(125)	(181)
Net - Cash Flow	254	485	(205)	(231)	(201)
Cash at beginning	192	447	932	727	496
Cash at ending	447	932	727	496	296

Key Ratios					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Gross Profit Margin (%)	20.8	18.4	21.6	22.4	23.3
Operating Margin (%)	9.2	4.6	8.1	8.2	8.4
EBITDA Margin (%)	13.5	8.9	14.0	14.2	14.6
Pre-Tax Margin (%)	4.4	0.1	1.7	2.0	2.7
Net Profit Margin (%)	2.8	1.8	2.5	2.8	3.2
Debt to Equity (%)	196.4	140.3	132.2	121.2	108.3
Net Gearing (%)	57.5	47.7	47.5	45.6	43.2

Major Assumptions					
	21A	22A	23F	24F	25F
Fleet Rental	27,188	28,874	30,029	30,930	31,858
Avg Parcel per year (millions)	365	402	219	226	232
Logistic Revenue Growth	-3%	33%	5%	5%	5%
Auctions Revenue Growth	-6%	-22%	5%	5%	5%

Peers Comparison

Name	Ticker	Mkt Cap (USDmn)	EV/EBITDA (x)		EV/Sales		P/E (x)		P/BV (x)		Sales Growth (%)
			2023	2024	2023	2024	2023	2024	2023	2024	2023
SF HOLDING CO LTD	002352 CH	29,734	9.1	7.7	0.8	0.7	24.9	19.2	2.3	2.1	29.1
Yunda Holding	002120 CH	3,928	6.1	5.3	0.7	0.6	12.5	9.6	1.5	1.3	13.7
YTO Express Group Co Ltd	600233 CH	6,773	5.6	4.7	0.7	0.6	11.4	9.6	1.6	1.4	18.6
ZTO Express Cayman Inc	ZTO US	19,230	9.2	7.8	3.1	2.7	15.9	13.2	2.3	2.0	16.3
Sinotrans Ltd H Share	598 HK	4,292	8.2	7.5	0.3	0.3	5.7	5.4	0.5	0.5	-12.5
Kerry Logistics	636 HK	1,815	4.6	3.9	0.3	0.3	9.5	7.4	0.7	0.7	9.7
C.H Robinson Worldwide	CHRW US	10,889	17.4	15.5	0.7	0.7	25.4	21.1	8.2	6.8	6.9
XPO Logistics	XPO US	8,152	11.3	9.4	1.4	1.4	29.1	21.1	6.6	5.1	7.2
UPS Supply Chain Solutions	UPS US	143,966	10.9	10.1	1.7	1.6	17.5	15.7	7.0	6.2	3.1
Expeditors	EXPD US	16,949	13.9	14.7	1.6	1.6	21.4	22.4	6.2	5.8	3.3
DHL	DHL GR	58,507	6.5	6.2	0.9	0.8	13.0	11.9	2.2	2.1	15.5
Fedex	FDX US	65,378	7.6	6.8	1.1	1.0	14.9	12.1	2.4	2.1	-3.6
Ryder System	R US	4,388	3.9	3.8	1.0	0.9	7.6	8.2	1.4	1.2	24.3
Hub Group	HUBG US	2,582	6.1	5.6	0.6	0.6	13.2	11.9	1.6	1.4	26.2
Average			9.4	8.7	1.4	1.3	17.0	14.7	4.5	4.0	7.5

Source: Bloomberg, SSI Research

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